

**Before The  
Tennessee Regulatory Authority**

Nashville, Tennessee

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In re:

Application of Nashville Gas Company, a  
Division of Piedmont Natural Gas Company,  
Inc. for an Adjustment of its Rates and  
Charges, the Approval of Revised Tariffs and  
the Approval of Revised Service Regulations.

**Stipulation**

**Docket No. 03-00313**

Nashville Gas Company (Nashville Gas or the Company), a division of Piedmont Natural Gas Company, Inc. (Piedmont) and the Consumer Advocate and Protection Division (CAPD) of the State of Tennessee Attorney General's Office hereby stipulate and agree as follows:

1. Piedmont conducts its natural gas distribution business in the State of Tennessee through its operating division, Nashville Gas. Nashville Gas' natural gas distribution business is subject to regulation and supervision by the Tennessee Regulatory Authority (Authority) pursuant to Chapter 4 and 5 of Title 65 of the Tennessee Code Annotated.

2. Nashville Gas has its principal offices at 665 Mainstream Drive, Nashville, Tennessee, and it is engaged in the business of furnishing natural gas to customers located in Davidson County and portions of the adjoining counties of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson and Wilson and in certain incorporated towns and cities located therein.

3. On April 29, 2003, Nashville Gas filed an application for an adjustment of its rates and charges, the approval of revised tariffs and the approval of revised service regulations. In that filing, Nashville Gas sought an increase in its annual revenues of \$18,315,475.

4. On May 14, 2003, the CAPD filed a Petition to Intervene in this proceeding. By order dated June 26, 2003, the CAPD's intervention was allowed.

5. The parties to this settlement have engaged in substantial discovery and have undertaken extensive discussions to resolve all known disputed issues in this case. In addition, the Staff of the Authority has engaged in discovery. As a result of the information obtained during discovery and the discussions between the Company and the CAPD, the parties to this stipulation have agreed to adjustments to revenues, expenses, net operating income, net operating income for return, rate base and return on rate base. These adjustments reduce the Company's additional revenue requirements from \$18,315,475 to \$10,300,000.<sup>1</sup>

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<sup>1</sup> The Staff of the Tennessee Regulatory Authority has identified certain adjustments which the parties agree are included in the \$10,300,000 settlement amount.

6. The parties agree that the adjustments referred to in Paragraph 5 above include the following:

- (a) reduction to correct meter reading errors in the test period;
- (b) increase to include uncollectibles expense;
- (c) reduction to correct accumulated depreciation;
- (d) increase to include gas odorant costs;
- (e) decrease to remove certain consulting fees;
- (f) increase to reflect additional coverage and cost of directors and officers liability insurance;
- (g) decrease to reduce pension expense to reflect updated pension contributions; and
- (h) increase to recognize new rate for state excise taxes.
- (i) decrease to reflect lower carrying charges for gas inventory;
- (j) decrease to eliminate short-term incentive bonus; and
- (k) decrease to eliminate GTI funding.<sup>2</sup>

The parties were unable to reach an agreement as to various capital structure, cost of capital and rate of return issues; however, the parties agree that the increase of \$10,300,000 results in reasonable rates.

7. The parties to this settlement jointly recommend to the Authority that the Authority issue an order authorizing the Company:

- (a) to increase its rates to produce additional revenues of \$10,300,000 effective November 1, 2003;
- (b) to implement the revised rates attached hereto as Schedule I effective November 1, 2003;
- (c) to use the fixed gas costs set forth on Schedule II attached heretoin future true-ups of gas costs under the Company's Purchase Gas Adjustment (PGA);

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<sup>2</sup> The elimination of GTI funding from expenses in this case is not intended to prevent the Company from making contributions to GTI.

(d) to use the "R" values, base load factors and heat factors set forth on Schedule III attached hereto in future rate adjustments under the Company's Weather Normalization Adjustment (WNA).

(e) to implement the revised tariffs attached hereto as Schedule IV effective November 1, 2003; and

(f) to implement, effective November 1, 2003, the revised Service Regulations filed with the Authority on April 29, 2003, as amended by letter filing of June 26, 2003.

8. The parties hereto agree that the revised rates and tariffs agreed to herein are fair and reasonable to all customer classes and will provide the Company with a reasonable opportunity to recover the agreed upon additional operating revenue requirement and a reasonable rate of return on investment. The parties further agree as follows:

(a) the Company's rate base is \$259,859,927;

(b) the Company's existing rates will permit it to earn an operating income of \$15,602,432;

(c) to earn a reasonable return on its investment, the Company should be permitted to earn an operating income of \$21,880,206;

(d) unless changed, the Company's existing rates will cause the Company to have an operating income deficiency of \$6,277,774;

(e) the gross revenue conversion factor is 1.640709;

(f) the revenue deficiency is \$10,300,000 ( $\$6,277,774 \times 1.640709$ ); and

(g) the fair rate of return on investment is within the range of 8.0% to 9.0%.

9. The parties hereto agree that all prefiled testimony and exhibits may be introduced into evidence without objection, and the parties hereto waive their right to cross-examine all witnesses with respect to all such prefiled testimony and exhibits. If, however, questions should be asked by any person, including a Director, who is not a party to this stipulation, the parties may present testimony and/or exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and/or exhibits; provided, however, that such cross-examination shall not be inconsistent with this stipulation.

10. The parties agree to support this stipulation in any proceeding before the Authority in this docket; however, the parties further agree that the settlement of any issue pursuant to this stipulation shall not be cited as precedent in any other proceeding before the Authority. The provisions of this stipulation do not necessarily reflect the positions asserted by any party, and no party to this stipulation waives the right to assert any position in any future proceeding.

11. This stipulation is the product of give-and-take negotiations, and no portion of this stipulation shall be binding on the parties unless the Authority accepts the entire stipulation.

The foregoing is agreed and stipulated to this the 9th day of September, 2003.

Piedmont Natural Gas Company, Inc.

By: 

Chuck W. Fleenor  
Vice President

Consumer Advocate and Protection Division  
of the Office of the Attorney General, State of  
Tennessee

By: 

Deputy Attorney General Russell T. Perkins

# **SCHEDULE I**

**Revenue from Proposed Rates**  
**DOCKET NO. 03-00313**
**Proposed**  
**Billing**  
**Rates**
**Residential Rate:****Standard Rate**

Winter Bills	\$ 13.00
Winter dts	\$ 10.4802

Summer Bills	\$ 10.00
Summer dts	\$ 9.4809

**Value Rate**

Winter Bills	\$ 13.00
Winter dts	\$ 10.1008

Summer Bills	\$ 10.00
Summer dts	\$ 9.4810

**Commercial:****Rate 302**

Bills	\$ 29.00
Winter dts	\$ 10.8202
Summer dts	\$ 9.8108

**Rate 332**

Winter Bills	\$ 29.00
Winter dts	\$ 10.4408
first 200	\$ 10.3308
over 200	

Summer Bills	\$ 29.00
Summer dts	\$ 9.8608
first 200	\$ 9.7858
over 200	

**Rate 352**

Bills	\$ 75.00
Winter dts	\$ 10.4408
Summer dts	\$ 9.8208

**Rate 362**

Bills	\$ 75.00
Winter dts	\$ 10.4408
first 500	\$ 10.3308
over 500	

Summer Bills	\$ 75.00
Summer therms	\$ 9.8608
first 500	\$ 9.7858
over 500	

**Industrial:****Firm Sales:**

Facility Charge	\$ 300.00
Demand dekatherms	\$ 13.4409
First 1,500 dts	\$ 7.6850
Next 2,500	\$ 7.5961
Next 5,000	\$ 7.3378
Over 9,000 dts	\$ 6.9572

**Interruptible Sales:**

Facility Charge	\$ 300.00
First 1,500 dts	\$ 8.1050
Next 2,500	\$ 7.7761
Next 5,000	\$ 7.4758
Over 9,000 dts	\$ 7.0572

**Total****Firm Transportation:**

Facility Charge	\$ 300.00
Demand dekatherms	\$ 13.4409
First 1,500 dts	\$ 1.0042
Next 2,500	\$ 0.9153
Next 5,000	\$ 0.6570
Over 9,000 dts	\$ 0.2764

**Interruptible Transportation:**

Facility Charge	\$ 300.00
First 1,500 dts	\$ 1.0042
Next 2,500	\$ 0.9153
Next 5,000	\$ 0.6570
Over 9,000 dts	\$ 0.2764

**Sale for Resale - Rate 10**

Demand	13.44
Commodity	7.60

## **SCHEDULE II**

**Piedmont Natural Gas Company, Inc.**  
**Schedule of Fixed Gas Cost Rates**  
**DOCKET NO. 03-00313**

	<u>Winter</u>	<u>Summer</u>	<u>Annual</u>
	Fixed Cost per therm	Fixed Cost per therm	Fixed Cost per therm
<b>Residential</b>			
Standard Rate	0.05994	0.01001	
Value Rate	0.02200	0.01002	
<b>Commercial</b>			
Rate 302	0.05994	0.01000	
Rate 332 first 200	0.02200	0.01500	
over 200	0.01100	0.00750	
Rate 242	0.09200	0.09200	
Rate 352	0.02200	0.01100	
Rate 362 first 500	0.02200	0.01500	
over 500	0.01100	0.00750	
<b>Firm Sales</b>			
Demand Charge			0.54409
Commodity			
First 1,500 dts			0.00300
Next 2,500			0.00200
Next 5,000			0.00120
Over 9,000 dts			0.00000
<b>Firm Transportation</b>			
Standby Demand			0.00000
Billing Demand			0.54409
Commodity			
First 1,500 dts			0.00300
Next 2,500			0.00200
Next 5,000			0.00120
Over 9,000 dts			0.00000
<b>Interruptible Sales</b>			
First 1,500 dts			0.04500
Next 2,500			0.02000
Next 5,000			0.01500
Over 9,000 dts			0.01000
<b>Interruptible Transportation</b>			
First 1,500 dts			0.00300
Next 2,500			0.00200
Next 5,000			0.00120
Over 9,000 dts			0.00000
<b>Smyrna</b>			
Demand			0.54409
Commodity			0.00171



## **SCHEDULE III**

**Nashville Gas Company  
WNA Components  
DOCKET NO. 03-00313**

	Base Rate (\$/therms)	Demand (\$/therms)	Commodity (\$/therms)	"R" Value (\$/therms)	Heat Factor (therms/DDD)	Base Factor (therms/mo.)
<b>Residential</b>						
Standard Rate	1.04802	0.05994	0.66808	0.32000	0.15957	3.91564
Value Rate	1.01008	0.02200	0.66808	0.32000	0.21337	23.08653
<b>Commercial</b>						
<b>Rate 302</b>	1.08202	0.05994	0.66808	0.35400	0.79247	0.675169
<b>Rate 332</b>						
first 2,000 therms	1.04408	0.02200	0.66808	0.35400	0.5184	486.2211
over 2,000 therms	1.03308	0.011	0.66808	0.35400	0.5184	486.2211
<b>Rate 352</b>	1.04408	0.02200	0.66808	0.35400	17.6718	2229.5876
<b>Rate 362</b>						
first 5,000 therms	1.04408	0.02200	0.66808	0.35400	5.36775	6229.7053
over 5,000 therms	1.03308	0.011	0.66808	0.35400	5.36775	6229.7053

## **SCHEDULE IV**

## **RATE SCHEDULE NO. 301**

### **Residential Service-Value Rate**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service.

Rate Schedule 301 applies to all residential customers whose base load usage in either of the cycle billing months of July and August is equal to or greater than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Availability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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<b><u>MARGIN RATE</u></b>	<b><u>Winter (November-March)</u></b>	<b><u>Summer (April-October)</u></b>
Customer Charge (per month)	\$13.00	\$10.00
Commodity Charge (per therm)	\$.32000	\$.27000

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#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request

#### **BACKUP SERVICE**

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

**WEATHER NORMALIZATION ADJUSTMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

## **RATE SCHEDULE NO. 321**

### **Residential Service-Standard Rate**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service.

Rate Schedule 321 applies to all residential customers whose base load usage in both of the cycle billing months of July and August is less than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Availability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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<b><u>MARGIN RATE</u></b>	<b><u>Winter (November-March)</u></b>	<b><u>Summer (April-October)</u></b>
Customer Charge (per month)	\$13.00	\$10.00
Commodity Charge (per therm)	\$.32000	\$.27000

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#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request

#### **BACKUP SERVICE**

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\text{BTU/Hour} \times 10 \text{ hours} = \text{TH}$$

100,000 BTU

**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

**WEATHER NORMALIZATION ADJUSTMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

## **RATE SCHEDULE NO. 302**

### **Small General Service – Standard Rate**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is equal to or less than 30%. Average daily gas usage will be based on the Customer's usage during the most recent past calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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<b><u>MARGIN RATE</u></b>	<b><u>Winter</u></b> <b><u>(November-March)</u></b>	<b><u>Summer</u></b> <b><u>(April-October)</u></b>
Customer Charge (per month)	\$29.00	\$29.00
Commodity Charge (per therm)	\$.35400	\$.30300

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#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

#### **BACKUP RATE**

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$



**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service".

**WEATHER NORMALIZATION ADJUSTMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

## **RATE SCHEDULE NO. 332**

### **Small General Service – Value Rate**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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<b><u>MARGIN RATE</u></b>	<b><u>Winter</u></b> <b><u>(November-March)</u></b>	<b><u>Summer</u></b> <b><u>(April-October)</u></b>
Customer Charge (per month)	\$29.00	\$29.00
Commodity Charge (per therm)		
1 <sup>st</sup> 2,000 therms	\$ .35400	\$ .30300
Over 2,000 therms	\$ .35400	\$ .30300

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#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

#### **BACKUP RATE**

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. . The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service".

**WEATHER NORMALIZATION ADJUSTMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

## **RATE SCHEDULE NO. 352**

### **Medium General Service – Standard Rate**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is equal to or less than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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<b><u>MARGIN RATE</u></b>	<b><u>Winter</u></b> <b><u>(November-March)</u></b>	<b><u>Summer</u></b> <b><u>(April-October)</u></b>
Customer Charge (per month)	\$75.00	\$75.00
Commodity Charge (per therm)	\$.35400	\$.30300

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#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

#### **BACKUP RATE**

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

**WEATHER NORMALIZATION ADJUSTMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

## **RATE SCHEDULE NO. 362**

### **Medium General Service – Value Rate**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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<b><u>MARGIN RATE</u></b>	<b><u>Winter (November-March)</u></b>	<b><u>Summer (April-October)</u></b>
Customer Charge (per month)	\$75.00	\$75.00
Commodity Charge (per therm)		
1 <sup>st</sup> 5,000 therms	\$.35400	\$.30300
Over 5,000 therms	\$.35400	\$.30300

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#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

#### **BACKUP RATE**

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

**WEATHER NORMALIZATION ADJUSTMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

## **RATE SCHEDULE NO. 303** **Large General Sales Service**

### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under the Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 313 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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### **MARGIN RATE**

Customer Charge (per month)	\$300.00
Demand Charge (per therm of billing demand)	\$.8000
Commodity Charge (per therm)	
1 <sup>st</sup> Step (0-15,000 therms)	\$.09742
2 <sup>nd</sup> Step (15,001-40,000 therms)	\$.08953
3 <sup>rd</sup> Step (40,001-90,000 therms)	\$.06450
4 <sup>th</sup> Step (Over 90,000 therms)	\$.02764

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### **MONTHLY MINIMUM BILL**

The minimum monthly bill shall be the customer charge plus the monthly demand charge.

### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge

### **BILLING DEMAND**

The billing demand shall be determined as follows:



A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year. The per unit demand charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinant shall be the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms. If a Customer has received gas service from the Company prior to receiving service under this rate schedule, but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

#### **SERVICE AGREEMENTS**

All Customers purchasing gas under this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

#### **PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

#### **RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

#### **ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

#### **SERVICE AVAILABILITY**

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

#### **SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Rate Schedule No.306, "Schedule for Limiting and Curtailing Service".

## **RATE SCHEDULE NO. 304**

### **Interruptible General Sales Service**

#### **AVAILABILITY**

Gas service under this rate schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. Availability under this rate schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 314 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers purchasing gas pursuant to this schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

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#### **MARGIN RATE**

Customer Charge (per month)	\$300.00
Commodity Charge (per therm)	
1 <sup>st</sup> Step (0-15,000 therms)	\$.09742
2 <sup>nd</sup> Step (15,001-40,000 therms)	\$.08953
3 <sup>rd</sup> Step (40,001-90,000 therms)	\$.06450
4 <sup>th</sup> Step (Over 90,000 therms)	\$.02764

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**MONTHLY MINIMUM BILL**

The minimum monthly bill shall be the Customer Charge.

**MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer Charge will be billed from the date of initial service until service is terminated at the Customer's request.

**SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

## **RATE SCHEDULE NO. 313**

### **Firm Transportation Service**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 303 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

#### **APPLICABILITY AND CHARACTER OF SERVICE**

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations, subject to such maximum allowable daily deliveries as may be specified in the Gas Service Contract. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of any pipeline transporting gas hereunder. Customer will be responsible for any imbalance charges assessed by the pipeline in connection with any gas transported by the Company under this Rate Schedule. The Company reserves the right to reduce nominations when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems. Company will use its best efforts to notify the Customer or the Customer's agent before proceeding with a unilateral reduction and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company. The Company reserves the right to initiate Standby Sales Service, described below, when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use its best efforts to notify the Customer or the Customer's agent before initiating Standby Sales Service.

By 10:30am central time four business days prior to the beginning of each month, the Customer shall inform the Company of its a) nomination of the daily quantity of gas to be transported for such month, and b) choice of pipeline for transportation for such month. If the Customer does not provide a timely nomination to transport gas

provided by a party other than the Company, the Customer will have requested Standby Sales Service provided herein by default. By 10:30am central time six business days prior to the beginning of each month, the Customer must inform the Company of the nominating agent for gas to be transported. Changes to nominations for gas transportation within the month are due by 10:30am central time on the business day prior to gas flow.

### **BALANCING**

It shall be the Customer's responsibility to maintain a daily and monthly balance with its transporting pipelines to avoid any assessment of penalties against the Company. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer is responsible for causing the Company to be assessed such penalties.

### **MONTHLY IMBALANCE RESOLUTION**

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer monthly, and the monthly quantities consumed by the Customer as metered, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances, as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If the Customer's imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated imbalance for the Agent is less than or equal to 2% of the total volume consumed by all of the Agent's Customers in that transportation pool, then the price paid by the Company if the imbalance is long or the price paid by the Customer (or Agent) if the imbalance is short will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below " plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, for the months of November through March, or the commodity rate under the applicable pipeline percentages as defined in the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, plus \$0.05, for the months of April through October.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & less than 5%	100%	100%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

"The Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Spot Prices on Interstate Pipeline Systems for the following pipeline designations and weighted by the corresponding percentages set forth below:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	28.36% <sup>1</sup>
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	65.32% <sup>1</sup>
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.32% <sup>1</sup>

The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out of imbalances.

#### **AGENCY AUTHORIZATION FORM**

A Customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an agent, the agent is then authorized to act on behalf of that Customer and as such, the agent can be considered as the Customer in all references contained within this Rate Schedule. The Customer may not change agents within the calendar month without the permission of the Company. All agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover all costs incurred in providing the agent access to the electronic bulletin board.

#### **STANDBY SALES SERVICE**

At the option of the Customer, an election may be made monthly to receive Standby Sales Service from the Company under this Rate Schedule for delivery to the Customer at the Company's city gate. The Customer will also receive Standby Sales Service as a default if the Customer or the Customer's agent fails to submit a timely and valid nomination for transportation service. In addition to paying the Monthly Standby Index Price set forth below for Standby Sales Service hereunder, the Customer will utilize the transportation services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be delivered to the Customer's meter. The price which the Customer shall pay for the gas supplied under this paragraph will be the Monthly Standby Index Price defined as follows: "The weighted average index price for the applicable month as published in the first *Natural Gas Week* for such month in the table Spot Prices on Interstate Pipeline Systems in the column labeled "Bid Week", for:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	28.36% <sup>1</sup>
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	65.32% <sup>1</sup>
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.32% <sup>1</sup>

<sup>1</sup> These percentages are the ratio of the contracted winter capacity in effect at the time of the Company's most recent general rate case.

If the Customer nominates transportation service hereunder and purchases gas supplies from a third party supplier, and such Customer's consumption exceeds actual deliveries to the Company from such third party supplier to the point where operational problems are created for the Company, then the Company shall have the right, at its sole discretion, to initiate Standby Sales Service to the Customer. The price for such service shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the Monthly Standby Index Price or the Daily Standby Index Price defined as follows:

The midpoint daily index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey", for the "Tennessee 500 Leg". For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily.

Applicable firm transportation tariff commodity charges, fuel and any other surcharges as defined in the above transporters' FERC approved tariffs will be added to the above standby index prices. The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the standby index prices.

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#### **MARGIN RATE**

Customer Charge (per month)	\$300.00
Demand Charge (per therm of billing demand)	\$8000
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	\$0.09700
2nd Step (15,001-40,000 therms)	\$0.09000
3rd Step (40,001-90,000 therms)	\$0.06500
4th Step (Over 90,000 therms)	\$0.02800

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#### **MONTHLY MINIMUM BILL**

The minimum monthly bill shall be the customer charge plus the monthly demand charge multiplied by the billing demand determined as described below.

#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge.

#### **BILLING DEMAND**

The billing demand shall be determined as follows:

Customer billing demand determinate shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinate will become effective June 1 of each year. The per unit charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinate shall be based upon a reasonable assumption of usage considering the connected load. If a Customer has received gas service from the

Company prior to receiving service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based on the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms.

**SERVICE AGREEMENTS**

All Customers receiving service under this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

**PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the TRA Rules and Regulations, Orders of the TRA, and the Laws of the State of Tennessee.

**SERVICE CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".



**AGENCY AUTHORIZATION FORM  
RATE SCHEDULE NO.313**

DATE

CUSTOMER  
**NAME OF FACILITY**

**ACCOUNT NUMBER(S)**

AGENT

AGENT CONTACT \_\_\_\_\_ PHONE #

This is to advise **Nashville Gas Company** that \_\_\_\_\_ **(Customer)** has authorized  
\_\_\_\_\_ **(Agent)** to act on its behalf for the following transactions:

\_\_\_\_\_ nominations, \_\_\_\_\_ imbalance resolution, \_\_\_\_\_ billing,

of gas for the above listed account(s). Nashville Gas Company is hereby authorized to deal with the Agent directly, and by signature below, the Customer and the Agent understand that they are responsible, jointly and severally for any amounts due Nashville Gas Company under this Rate Schedule which are not paid by agent on these accounts. Customer will provide Nashville Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least six (6) business days prior to changing Agents of the accounts designated.

AUTHORIZED  
SIGNATURE \_\_\_\_\_  
FOR THE CUSTOMER

AUTHORIZED  
SIGNATURE \_\_\_\_\_  
FOR THE AGENT

**Please Print**

AGENT'S NAME \_\_\_\_\_ TITLE  
PHONE # \_\_\_\_\_ FAX #  
MAILING ADDRESS

**Please submit to:** End User Transportation  
Nashville Gas Company  
A Division of Piedmont Natural Gas Company  
P O Box 33068  
Charlotte, NC 28233  
Fax # \_704 365-8740

## **RATE SCHEDULE NO. 314**

### **Interruptible Transportation Service**

#### **AVAILABILITY**

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule No. 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 304 and/or 310 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer may discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers receiving services under this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

#### **APPLICABILITY AND CHARACTER OF SERVICE**

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver **ON AN INTERRUPTIBLE BASIS** gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution

system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of any pipeline transporting gas hereunder. Customer will be responsible for any imbalance charges assessed by the pipeline in connection with any gas transported by the Company under this Rate Schedule. The Company reserves the right to reduce nominations when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems. Company will use its best efforts to notify the Customer or the Customer's agent before proceeding with a unilateral reduction and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company.

By 10:30am central time four business days prior to the beginning of each month, the Customer shall inform the Company of its a) nomination of the daily quantity of gas to be transported for such month, and b) choice of pipeline for transportation for such month. If the Customer does not provide a timely nomination to transport gas, the Customer will not be entitled to receive gas service. By 10:30am central time five business days prior to the beginning of each month, the Customer must inform the Company of the nominating agent for gas to be transported.

Changes to nominations for gas transportation within the month are due by 10:30am central time on the day prior to gas flow.

Notwithstanding the above, if a supplier interrupts its sales service to Customer being transported hereunder, and such interruptions by the supplier occur within a month, Customer may reschedule alternative gas supplies which may be available to Customer subject to: a) normal daily nomination and confirmation deadlines and procedures b) any operational limitations of the Company and c) the availability of interruptible transportation service hereunder.

### **BALANCING**

It shall be the Customer's responsibility to maintain a daily and monthly balance with its transporting pipelines to avoid any assessment of penalties against the Company. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer or Customer's agent is responsible for causing the Company to be assessed such penalties.

### **MONTHLY IMBALANCE RESOLUTION**

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer monthly, and the monthly quantities consumed by the Customer as metered, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be

"long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If the Customer's imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated imbalance for the Agent is less than or equal to 2% of the total volume consumed by all of the Agent's Customers in that transportation pool, then the price paid by the Company if the imbalance is long or the price paid by the Customer (or Agent) if the imbalance is short will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below " plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, for the months of November through March, or the commodity rate under the applicable pipeline percentages as defined in the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, plus \$0.05, for the months of April through October.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, , times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, , times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & less than 5%	100%	100%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

"The Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Spot Prices on Interstate Pipeline Systems for the following pipeline designations and weighted by the corresponding percentages set forth below:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	28.36% <sup>1</sup>
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	65.32% <sup>1</sup>
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.32% <sup>1</sup>

1 These percentages are the ratio of the contracted winter capacity in effect at the time of the Company's most recent general rate case.

The Company will collect gross receipts tax on the incremental gross gas related charges

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out mechanism.

#### **AGENCY AUTHORIZATION FORM**

A Customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an agent, the agent is then authorized to act on behalf of that Customer and as such, the agent can be considered as the Customer in all references contained within this Rate Schedule. The Customer may not change agents within the calendar month without the permission of the Company. All agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover all costs incurred in providing the agent access to the electronic bulletin board.

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#### **MARGIN RATE**

Customer Charge (per month)	\$300.00
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	\$.09742
2nd Step (15,001-40,000 therms)	\$.08953
3rd Step (40,001-90,000 therms)	\$.06450
4th Step (Over 90,000 therms)	\$.02764

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#### **MONTHLY MINIMUM BILL**

The minimum monthly bill shall be the Customer Charge.

#### **MONTHLY CUSTOMER CHARGE**

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge.

#### **SERVICE AGREEMENTS**

All Customers receiving service pursuant to this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

#### **PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

**RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchase gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the TRA Rules and Regulations, the Orders of the TRA, and the Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is interruptible and is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

**AGENCY AUTHORIZATION FORM  
RATE SCHEDULE NO.314**

DATE

CUSTOMER

NAME OF FACILITY

ACCOUNT NUMBER(S)

AGENT

AGENT CONTACT \_\_\_\_\_ PHONE #

This is to advise **Nashville Gas Company** that \_\_\_\_\_ (Customer) has  
authorized \_\_\_\_\_ (Agent) to act on its behalf for the following  
transactions:

\_\_\_\_\_ nominations, \_\_\_\_\_ imbalance resolution, \_\_\_\_\_ billing,

of gas for the above listed account(s). Nashville Gas Company is hereby authorized to deal with  
the Agent directly, and by signature below, the Customer and the Agent understand that they are  
responsible, jointly and severally for any amounts due Nashville Gas Company under this Rate  
Schedule which are not paid by agent on these accounts. Customer will provide Nashville Gas  
Company with a revised "AGENCY AUTHORIZATION FORM" at least six (6) business days  
prior to changing Agents of the accounts designated.

AUTHORIZED  
SIGNATURE \_\_\_\_\_  
FOR THE CUSTOMER

AUTHORIZED  
SIGNATURE \_\_\_\_\_  
FOR THE AGENT

**Please Print**

AGENT'S NAME \_\_\_\_\_ TITLE  
PHONE # \_\_\_\_\_ FAX #  
MAILING ADDRESS

**Please submit to:** End User Transportation  
Nashville Gas Company  
A Division of Piedmont Natural Gas Company  
P O Box 33068  
Charlotte, NC 28233  
Fax # \_\_704-365-8740

## **SERVICE SCHEDULE NO. 306**

### **Schedule for Limiting and Curtailing Service**

This Service Schedule defines the types of curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas service restrictions.

#### **DISTRIBUTION PRESSURE CURTAILMENTS**

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Nashville Gas Company Service Regulations, Rules and Regulations Governing Supply and Consumption of Gas, or the demands of the Company's firm Customers as the same may effect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will curtail service to interruptible Customers served under Rate Schedule No. 304, Rate Schedule No. 309, or Rate Schedule 314, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

#### **SUPPLY OR CAPACITY RELATED CURTAILMENTS**

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales services from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule No. 304 by priority of their margin contribution to the Company. Customers receiving discounted sales service under Rate Schedule No. 309 will also be curtailed according to the discounted rates. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 314 at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

#### **EMERGENCY SERVICE**

The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency gas service is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.



#### **RATE FOR EMERGENCY SERVICE**

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas consumed by the Customer will be at a rate of \$1.00 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price", until otherwise notified that either (1) further gas sales will be under the Customer's regular rate schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. Revenues realized from emergency service transactions will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

#### **UNAUTHORIZED OVER RUN PENALTY**

If at any time a Customer exceeds specified contract entitlements or if during any curtailment period, any affected Customer takes, without the Company's advance written approval, a volume of natural gas in excess of the curtailment period quantity entitlement applicable to such Customer, said volume shall constitute an unauthorized over run volume. For each therm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate of \$1.50 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price". "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule. Revenues realized from unauthorized over run penalties will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

#### **PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

#### **RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

**ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

## **RATE SCHEDULE NO. 309**

### **Special Availability Service**

#### **AVAILABILITY**

Gas service under this rate schedule is available to any TRA Rate Schedule No. 303, 304, 313, or 314, Customer when the Company has gas supplies or services that it cannot sell at its established fixed rates where the Company's distribution mains are suitable for supplying the desired service. On such occasions, the opportunity is lost to the Company and its Customers. This Rate Schedule is designed to permit the Company to sell such gas and services at special rates for the purpose of enabling the Company to compete with alternative fuels and services available for use by its Customers.

Gas service under this Rate Schedule is available on a limited term basis to Customers who are connected to the Company's distribution system and would otherwise qualify for commercial and industrial sales or transportation service. Gas service may be provided under this Rate Schedule only in the event that the Company has available supplies or services that cannot competitively be provided under other rate schedules. Service under this Rate Schedule is temporary and the Company has the right to discontinue such service. Gas service under this rate schedule will be curtailed prior to service under any other comparable rate schedule.

In the event a Customer has zero consumption during any billing month, this tariff will not apply and service shall be rendered pursuant to the Company's regular rate schedules for the class of service indicated for the purpose of determining a minimum bill and qualifying provisions.

#### **BASE RATE**

The Customer shall pay the Company for all gas supplied or services provided under this schedule at a predetermined rate negotiated prior to delivery for limited term periods up to seven consecutive months.

#### **SERVICE AGREEMENTS**

All Customers purchasing gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

#### **PAYMENT TERMS**

All bills for service are due upon presentation and the above stated net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

#### **RETURNED CHECK CHARGE**

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

#### **ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated base rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service."

**TREATMENT OF NEGOTIATED MARGIN LOSSES**

Margin losses under this rate schedule shall be recovered by the Company through the Company's Actual Cost Adjustment (ACA) as provided in the Company's Purchased Gas Adjustment (PGA) Rider (TRA Service Schedule No. 311).

## **RATE SCHEDULE NO. 310**

### **Resale Service**

#### **AVAILABILITY**

Sales for Resale Service is available under this rate schedule to any qualified local distribution company who purchases natural gas for the purpose of reselling same, where the Company's distribution mains are suitable for supplying the desired service.

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#### **MARGIN RATE**

Demand Charge (per therm of billing demand)	\$ .8000
Commodity Charge (per therm)	\$ .09000

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#### **MONTHLY MINIMUM BILL**

The minimum monthly bill shall be the monthly demand charge.

#### **BILLING DEMAND**

Demand determinants shall be those agreed to in the contract.

#### **SERVICE AGREEMENTS**

All customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

#### **PAYMENT TERMS**

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

#### **RETURNED CHECK CHARGE**

In the event a customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the customer will be assessed a charge of \$20.00.

#### **ADJUSTMENTS**

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE AVAILABILITY**

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

**SERVICE INTERRUPTION AND CURTAILMENT**

Gas service under this schedule is subject to the curtailment provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

## **SERVICE SCHEDULE NO. 311**

### **Purchased Gas Adjustment Rider**

#### **I. General Provisions.**

- A. This Purchased Gas Adjustment (PGA) Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect Gas Costs from its customers.
- B. This Rider is intended to apply to all Gas Costs incurred in connection with the purchase, transportation and/or storage of gas purchased for general system supply, including, but not limited to, natural gas purchased from interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of liquefied natural gas (LNG), liquefied petroleum gas (LPG), substitute, supplemental or synthetic natural gas (SNG), and other hydrocarbons used as feed-stock, other distribution companies and end-users, whether or not the Gas Costs are regulated by the Federal Energy Regulatory Commission and whether or not the provider of the gas, transportation or storage is affiliated with the Company.
- C. To the extent practicable, any revision in the PGA shall be filed with the Commission no less than fifteen (30) days in advance of the proposed effective date and shall be accompanied by the computations and information required by this Rider. It is recognized, however, that in many instances the Company receives less than 15 days notice from its Suppliers and that other conditions may exist which may prevent the Company from providing 15 days advance notice. Therefore, should circumstances occur where information necessary for the determination of an adjustment under this Rider is not available to the Company so that the fifteen (15) days requirement may be met, the Company may, upon good cause shown, be permitted to place such rates into effect with shorter advance notice.
- D. The rates for gas service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the PGA, or any specified portion of the PGA as determined by individual Rate Schedule(s).
- E. No provision of this Rider shall supersede any provision of a Special Contract approved by the Commission.

#### **II. Definitions.**

- A. "Gas Costs" shall mean the total delivered cost of gas paid or to be paid to Suppliers, including, but not limited to, all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges (except as provided below), storage charges, service fees and transportation charges and any other similar

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charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply.

- B. **"Fixed Gas Costs"** shall mean all Gas Costs based on the Company's right to demand gas or transportation on a daily or seasonal peak; but unless otherwise ordered by the Commission, shall not include other charges paid for gas reserve dedication (e.g., reservation fees and gas inventory charges), minimum bill charges, minimum take charges, over-run charges, emergency gas charges, take-or-pay charges or take-and-pay charges (all of which shall be considered commodity costs).
- C. **"Gas Charge Adjustment"** shall mean the per unit amount billed by the Company to its customers solely for Gas Costs. The Gas Charge Adjustment shall be separately stated for firm customers and for non-firm customers.
- D. **"Suppliers"** shall mean any person or entity, including affiliates of the Company, who locates, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the Company. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of LNG, LPG, SNG, and other hydrocarbons used as feed-stock, other distribution companies and end-users.
- E. **"Computation Period"** shall mean the twelve (12) month period utilized to compute Gas Costs. Such period shall be the twelve (12) month period ending on the last day of a month which is no more than 62 days prior to the filing date of a PGA.
- F. **"Demand Billing Determinants"** shall mean the annualized volumes for which the Company has contracted with Suppliers as of the first day of the Filing Month.
- G. **"Commodity Billing Determinants"** shall mean the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. Should the Company expect to purchase commodity gas from several Suppliers, the Company shall allocate to each supplier a percentage of the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. The percentage used to allocate among Suppliers shall be based on historical takes during the Computation Period, if appropriate; otherwise it shall be based upon the best estimate of the Company.
- H. **"Filing Month"** shall mean the month in which a proposed revision is to become effective.

### III. Computation and Application of the PGA.

The PGA shall consist of three major components: (1) the Gas Charge Adjustment; (2) the Refund Adjustment; and (3) the Actual Cost Adjustment (ACA).

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**A. Computation of Gas Charge Adjustment.**

The Company shall compute the jurisdictional Gas Charge Adjustment at such time that the Company determines that there is a significant change in its Gas Costs.

$$\text{Firm GCA} = \left[ \left( \frac{D \pm DACA}{SF} \right) - DB \right] + \left[ \left( \frac{P + T + SR \pm CACA}{ST} \right) - CB \right]$$

1. **Formulas.** The following formulas shall be used to compute the Gas Charge Adjustment:

$$\text{Non-Firm GCA} = \left( \frac{P + T + SR \pm CACA}{ST} \right) - CB$$

**2. Definitions of Formula Components.**

GCA =	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
D =	The sum of all fixed Gas Costs.
DACA =	The demand portion of the ACA.
P =	The sum of all commodity/gas charges.
T =	The sum of all transportation charges.
SR =	The sum of all FERC approved surcharges.
CACA =	The commodity portion of the ACA.
DB =	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

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CB = The per unit rate of variable Gas Costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm sales.

ST = Total sales.

**3. Determination of Factors for Gas Charge Adjustment.**

**a. Demand Charges (Factor D)**

All fixed Gas Costs that do not vary with the amount of gas purchased or transported, including, but not limited to, the product resulting from the multiplication of (1) the respective Demand Billing Determinants by (2) the demand rates effective the first day of the Filing Month and (3) any fixed storage charges.

**b. Demand Actual Cost Adjustment (Factor DACA)**

See Subsection C of Section III.

**c. Purchased Commodity Charges (Factor P)**

All commodity or other variable gas costs associated with the amount of gas purchased or transported including, but not limited to, the product resulting from the multiplication of (1) the respective Commodity Billing Determinants by (2) the respective supplier's commodity/gas rate which are known, or if not known which are reasonably anticipated, to be in effect on the first day of the Filing Month.

**d. Transportation Charges (Factor T)**

The transportation charges actually invoiced to the Company during the Computation Period or expected to be invoiced to the Company during the current period.

**e. FERC Approved Surcharges (Factor SR)**

The sum of all FERC approved surcharges, including gas inventory charges or its equivalent, actually invoiced or expected to be invoiced to the Company during the Computation Period or to be effective the first day of the Filing Month by respective Suppliers.

**f. Actual Cost Adjustment (Factor ACA)**

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See Subsection C of Section III.

**g. Firm Sales (Factor SF)**

Total volumes billed to the Company's firm customers during the Computation Period, regardless of source, adjusted for known and measurable changes.

**h. Total Sales (Factor ST)**

Total volumes billed to all the Company's customers during the Computation Period, regardless of source, adjusted for known measurable changes.

**4. Modification of Formulas.**

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Commission shall act to suspend the proposed

amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

**5. Filing with the Commission.**

The computation of the Gas Charge Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I of this Rider, and shall remain in effect until a revised Gas Charge Adjustment is computed and filed pursuant to this Rider.

The Company shall file with the Commission a transmittal letter, an exhibit showing the computation of the Gas Charge Adjustment, a PGA tariff sheet, and any applicable revised tariff sheets issued by Suppliers. The transmittal letter shall state the PGA tariff sheet number, the service area(s), the primary reasons for revision, and the effective date.

If the Company proposes to recover any Gas Costs relating to (1) any payments to an affiliate or (2) any payments to a non-affiliate for emergency gas, over-run charges, take-or-pay charges and take-or-pay charges (except as provided below) or (3) the payment of any demand or fixed charges in connection with an increase in contract demand, the Company must file with the Commission a statement setting forth the reasons why such charges were incurred and sufficient information to permit the Commission to determine if such payments were prudently made under the conditions which existed at the time the purchase decisions were made.

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Any filing of a rate change under this Rider shall be effective on the proposed effective date unless the Commission shall act to suspend the proposed change within thirty day after the filing, in which case the filing shall be subject to notice and hearing.

The recovery of pipeline take-or-pay charges which were the subject of Docket No. U-87-7590 shall continue to be handled under procedures approved by this Commission in that docket until such time as such procedures may be modified or amended by further order of the Commission.

**B. Refund Adjustment.**

The Refund Adjustment shall be separately stated for firm and non-firm customers, and may be either positive or negative.

**1. Computation of Refund Adjustment.**

The Company shall compute a Refund Adjustment on the last day of each calendar quarter

$$Firm\ RA = \left( \frac{DR1 - DR2}{SFR} \right) + \left( \frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

using the following formulas:

$$Non - Firm\ RA = \left( \frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

**2. Definitions of Formula Components.**

RA = The Refund Adjustment in dollars per Ccf/therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a Supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.

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- CR1 =       Commodity refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
- CR2 =       A commodity surcharge from a supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
- CR3 =       The residual balance of an expired Refund Adjustment.
- I =         Interest on the "Refund Due Customers' Account," using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate 2% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter. The interest rate used shall not be greater than 12% nor less than 8%.
- SFR =       Firm sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.
- STR =       Total sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.

**3.       Modification of Formula.**

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Commission shall act to suspend the proposed

amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

**4.       Filing with the Commission.**

The computation of the Refund Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I this Rider, and shall remain in effect for a period of twelve (12) months or for such longer or shorter period of time as required to appropriately refund the applicable refund amount.

The Company shall file with the Commission a transmittal letter, exhibits showing the computation of the Refund Adjustment and interest calculations, and a PGA tariff sheet.

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The transmittal letter shall state the PGA tariff sheet number, the service area(s), the reason for adjustment, and the effective date. Should the Company have a Gas Charge Adjustment filing to become effective the same date as a Refund Adjustment, a separate transmittal letter and PGA tariff sheet shall not be necessary.

**C. Actual Cost Adjustment.**

Commencing with the initial effective date of this Rider, the Company shall calculate the ACA monthly. The Company may, at its option, file monthly to include the ACA in its calculation of the Gas Charge Adjustment but shall be required to do so at least annually. The ACA shall be the difference between (1) revenues billed customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Commission in another docket) as reflected in the Deferred Gas Cost account. The balance of said account shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment. The ACA shall be segregated into demand and commodity, and shall be added to or deducted from, as appropriate, the respective demand and commodity costs included in the Gas Charge Adjustment. Supplemental sheets showing the calculations of margin losses and cost savings shall also be provided.

**D. Adjustments to Prior Period ACAs.**

In the event that circumstances warrant a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates. The resulting adjustment shall then be added to or deducted from the appropriate ACA in the next ensuing ACA filing with the Commission.

**E. Annual Filing with the Commission.**

Each year, the Company shall file with the Commission an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the Commission provides written notification to the Company within 180 days, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of this Rider.

**IV. Gas Cost Accounting.**

To appropriately match revenues with cost of purchased gas as contemplated under this rule, the Company shall originally record the cost of purchased gas in a "Deferred Gas Cost" account. Monthly, the Company shall debit "Natural Gas Purchases" with an amount equal to any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate, as calculated hereunder, multiplied by the appropriate sales volumes billed to customers. The corresponding monthly credit entry shall be made to the "Deferred Gas Cost" account.

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## **SERVICE SCHEDULE NO. 315**

### **Weather Normalization Adjustment**

### **(WNA) Rider**

#### **I. Provision for Adjustment**

The base rates per therm (100,000 Btu) for gas service set forth in any rate schedules utilized by the Authority in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment".

The Weather Normalization Adjustment will be applicable for bills rendered on and after November 1 and continuing through the final billing cycle in March of each year.

#### **II. Definitions**

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"Relevant Rate Order" means the final order of the Authority in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

#### **III. Computation of Weather Normalization Adjustment**

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$WNA_i = R_i \quad * \quad \frac{(HSF_i(NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

I = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

$WNA_i$  = Weather Normalization Adjustment Factor for the  $i^{th}$  rate schedule or classification expressed in cents per therm.

$R_i$  = weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the  $i^{th}$  schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

$HSF_i$  = heat sensitive factor for the  $i^{th}$  schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

NDD = normal billing cycle heating degree days utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

ADD = actual billing cycle heating degree days.

$BL_i$  = base load sales for the  $i^{th}$  schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

#### IV. Filing with Authority

The Company will file as directed by the Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.



**Nashville Gas Company  
WNA Components  
DOCKET NO. 03-00313**

	Base Rate (\$/therms)	Demand (\$/therms)	Commodity (\$/therms)	"R" Value (\$/therms)	Heat Factor (therms/DDD)	Base Factor (therms/mo.)
<b>Residential</b>						
Standard Rate	1.04802	0.05994	0.66808	0.32000	0.15957	3.91564
Value Rate	1.01008	0.02200	0.66808	0.32000	0.21337	23.08653
<b>Commercial</b>						
<b>Rate 302</b>	1.08202	0.05994	0.66808	0.35400	0.79247	0.675169
<b>Rate 332</b>						
first 2,000 therms	1.04408	0.02200	0.66808	0.35400	0.5184	486.2211
over 2,000 therms	1.03308	0.011	0.66808	0.35400	0.5184	486.2211
<b>Rate 352</b>	1.04408	0.02200	0.66808	0.35400	17.6718	2229.5876
<b>Rate 362</b>						
first 5,000 therms	1.04408	0.02200	0.66808	0.35400	5.36775	6229.7053
over 5,000 therms	1.03308	0.011	0.66808	0.35400	5.36775	6229.7053

## SERVICE SCHEDULE NO. 316

### Performance Incentive Plan

#### APPLICABILITY

The Performance Incentive Plan (the plan) replaces the reasonableness or prudence review of Nashville Gas Company's (Nashville or Company) gas purchasing activities overseen by the Tennessee Regulatory Authority (Authority). The plan is designed to provide incentives to Nashville in a manner that will produce rewards for its customers and its shareholders and improvements in Nashville's gas procurement activities. Each plan year will begin July 1. The annual provisions and filings herein would apply to this annual period. The Plan will continue until the Plan is either (a) terminated at the end of a plan year by not less than 90 days notice by Nashville to the Authority or (b) the Plan is modified, amended or terminated by the Authority.

#### OVERVIEW OF STRUCTURE

Nashville's Performance Incentive Plan is comprised of two interrelated components.

- Gas Procurement Incentive Mechanism
- Capacity Management Incentive Mechanism

The Gas Procurement Incentive Mechanism establishes a predefined benchmark index to which Nashville's commodity cost of gas is compared. It also addresses the recovery of gas supply reservation fees, the treatment of off-system sales and wholesale interstate sale for resale transactions, and the use of financial or private contracts in managing gas costs. The net incentive benefits or costs will be shared between the Company's customers and the Company on a 50% / 50% basis.

The Capacity Management Incentive Mechanism is designed to encourage Nashville to actively market off-peak unutilized transportation and storage capacity on upstream pipelines in the secondary market. The net incentive benefits or costs will be shared between the Company's customers and the Company utilizing a graduated sharing formula, with sharing percentages for Nashville ranging between zero and fifty percent.

The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually. In connection with the Performance Incentive Plan, Nashville shall file with the Authority Staff, and update each year a Three Year Supply Plan. Nashville will obtain additional firm capacity and/or gas supply pursuant to such plan.

#### GAS PROCUREMENT INCENTIVE MECHANISM

The Gas Procurement Incentive Mechanism addresses the following areas:

- Commodity Costs
- Gas Supply Reservation Fees
- Off-System Sales and Sale for Resale Transactions
- Use of Financial Instruments or Other Private Contracts

### **COMMODITY COSTS**

Each month Nashville will compare its *total city gate commodity cost of gas*<sup>1</sup> to a benchmark dollar amount. The benchmark gas cost will be computed by multiplying total actual purchase quantities for the month by a price index. The monthly price index is defined as

$$I = F_f(P_0K_0 + P_1K_1 + P_cK_c + \dots P_\infty K_\infty) + F_oO + F_dD; \text{ where}$$

$$F_f + F_o + F_d = 1; \text{ and}$$

I = the monthly city gate commodity gas cost index.

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<sup>1</sup> Gas purchases under Nashville's existing supply contract on the Tetco system are excluded from the incentive mechanism. Nashville will continue to recover 100 percent of these costs through its PGA with no profit or loss potential. Extension or replacement of such contract shall be subject to the same competitive bidding procedures that will apply to other firm gas supply agreements. In addition, Nashville's gas procurement incentive mechanism will measure storage gas supplies against the benchmark index during the months such quantities are purchased for injection. For purposes of comparing such gas purchase costs against the monthly city gate index price, Nashville will exclude any commodity costs incurred downstream of the city gate to storage so that Nashville's actual costs and the benchmark index are calculated on the same basis.

$F_f$  = the fraction of gas supplies purchased in the first-of-the-month market which are transported to the city gate under Nashville's FT service agreements.

$P$  = the *Inside FERC Gas Market Report* price index for the first-of-the-month edition for a geographic pricing region, where subscript 0 denotes Tennessee Gas Pipeline (TGP) Rate Zone 0; subscript 1 denotes TGP Rate Zone 1; subscript C denotes Columbia Gas Transmission (CGT), Louisiana, plus applicable transportation and fuel charges in CGT's FT tariff to Rayne, and subscript  $\infty$  denotes new incremental firm services to which Nashville may subscribe in the future.<sup>2</sup> The commodity index prices will be adjusted to include the appropriate pipeline maximum firm transportation (FT) commodity transportation charges and fuel retention to the city gate under Nashville's FT service agreements.

$K$  = the fraction (relative to total maximum daily contract entitlement) of Nashville's total firm transportation capacity under contract in a geographic pricing region, where the subscripts are as above.<sup>3</sup>

$F_o$  = the fraction of gas supplies purchased in the first-of-the-month spot market which are delivered to Nashville's system using transportation arrangements other than Nashville's FT contracts.

$O$  = the weighted average of *Inside FERC Gas Market Report* first-of-the-month price indices, plus applicable maximum IT rates and fuel retention, from the source of the gas to the city gate, where the weights are computed based on actual purchases of gas supplies purchased by Nashville and delivered to

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<sup>2</sup> To the extent that Nashville renegotiates existing reservation fee supply contracts or executes new reservation fee supply contracts with commodity pricing provisions at a discount to the first-of-the-month price index, Nashville shall modify the monthly commodity price index to reflect such discount.

<sup>3</sup> Because the aggregate maximum daily contract quantities in Nashville's FT contract portfolio vary by month over the course of the year, the weights will be recalculated each month to reflect actual contract demand quantities for such month. The contract weights, and potentially the price indices used, will also vary as Nashville renegotiates existing or adds new FT contracts. As new contracts are negotiated, Nashville shall modify the index to reflect actual contract demand quantities and the commodity price indices appropriate for the supply regions reached by such FT agreements.

Nashville's system using transportation arrangements other than Nashville's FT contracts.

$F_d$  = the fraction of gas supplies purchased in the daily spot market.

$D$  = the weighted average of daily average index commodity prices taken from *Gas Daily* for the appropriate geographic pricing regions, where the weights are computed based on actual purchases made during the month. The commodity index prices will be adjusted to include the appropriate maximum transportation commodity charges and fuel retention to the city gate.

If the actual total commodity gas purchase cost in a month is within one percent of the benchmark dollar amount, there will be no incentive gains or losses. If the actual total commodity gas purchase cost varies from the benchmark dollar allowance by more than one percent, the variance in excess of the one percent threshold shall be deemed incentive gains or losses under the plan. Such gains or losses will be shared 50/50 between the Company and the ratepayers.

#### **Gas Supply Reservation Fees**

Nashville will continue to recover 100% of gas supply reservation fee costs through its PGA with no profit or loss potential. For new contracts and/or contracts subject to renegotiation during the Plan year, Nashville will solicit bids for gas supply contracts containing a reservation fee.

#### **Off-System Sales And Sale For Resale Transactions**

Margin on off-system sales and wholesale sale-for-resale transactions using Nashville's firm transportation and capacity entitlements (the costs of which are recovered from Nashville's ratepayers) shall be credited to the commodity gas cost component of the Gas Procurement Incentive Mechanism and will be shared with ratepayers. Margin on such sales will be defined as the difference between the sales proceeds and the total variable costs incurred by Nashville in connection with the transaction, including transportation and gas costs, taxes, fuel, or other costs. For purposes of gas costs, Nashville will impute such costs for its related supply purchases at the benchmark first-of-the-month or daily index, as appropriate, on the pipeline and in the zone in which the sale takes place. The difference between Nashville's actual costs and such index price is taken into account under the Gas Procurement Incentive Mechanism. As to transportation costs, Nashville will impute such costs up to the transporting pipeline's maximum interruptible transportation (IT) rate. The difference between the maximum IT rate and Nashville's actual transportation commodity costs will be treated as capacity release margin under the Capacity Management Incentive Mechanism. After deducting the total transaction costs from the sales proceeds, any remaining margin will be credited to commodity gas costs and shared on a 50/50 basis with ratepayers.

**Use Of Financial Instruments Or Other Private Contracts**

To the extent Nashville uses futures contracts, financial derivative products, storage swap arrangements, or other private agreements to hedge, manage or reduce gas costs, any gains or losses will flow through the commodity cost component of the Gas Procurement Incentive Mechanism.

**CAPACITY MANAGEMENT INCENTIVE MECHANISM**

To the extent Nashville is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings shall be shared by Nashville and customers according to the following sharing formula:

<b>Capacity Management Incentive cost savings as a percent of Nashville's annual transportation and storage demand costs.</b>	<b>Sharing percentages Nashville/Customers. (Percent)</b>
Less than or equal to 1 percent	0/100
Greater than 1 percent but less than or equal to 2 percent	10/90
Greater than 2 percent but less than or equal to 3 percent	25/75
Greater than 3 percent	50/50

The sharing percentages shall be determined based on the actual demand costs incurred by Nashville (exclusive of credits for capacity release) for transportation and storage capacity during the plan year, as such costs may be adjusted due to refunds or surcharges from pipeline and storage suppliers. Any incentive gains or losses resulting from adjustments to the sharing percentages caused by refunds or surcharges shall be recorded in the current Incentive Plan Account (IPA).

#### **DETERMINATION OF SHARED SAVINGS**

Each month during the term of plan, Nashville will compute any gains or losses in accordance with the plan. If Nashville earns a gain, a separate Incentive Plan Account (IPA) will be debited with such gain. If Nashville incurs a loss, that same IPA will be credited with such loss. During a plan year, Nashville will be limited to overall gains or losses totaling \$1.6 million. Interest shall be computed on balances in the IPA using the same interest rate and methods as used in Nashville's Actual Cost Adjustment (ACA) account. The offsetting entries to IPA gains or losses will be recorded to income or expense, as appropriate. At its option, however, Nashville may temporarily record any monthly gains in a non-regulatory deferred credit balance sheet account until results for the entire plan year are available.

Gains or losses accruing to the Company under the Plan will form the basis for a rate increment or decrement to be filed and placed into effect separate from any other rate adjustments to recover or refund such amount over a prospective twelve-month period.

Each year, effective November 1, the rates for all customers, excluding interruptible transportation customers who receive no direct benefit from any gas cost reductions resulting from the plan, will be increased or decreased by a separate rate increment or

decrement designed to amortize the collection or refund of the June 30 IPA balance over the succeeding twelve month period. The increment or decrement will be established by dividing the June 30 IPA balance by the appropriate volumetric billing determinants for the twelve months ended June 30. During the twelve month amortization period, the amount collected or refunded each month will be computed by multiplying the billed volumetric determinants for such month by the increment or decrement, as applicable. The product will be credited or debited to the IPA, as appropriate. The balance in the IPA will be tracked as a separate collection mechanism.

#### **FILING WITH THE AUTHORITY**

The Company will file calculations of shared savings and shared costs quarterly with the Authority not later than 60 days after the end of each interim fiscal quarter and will file an annual report not later than 60 days following the end of each plan year. Unless the Authority provides written notification to the Company within 180 days of such reports, the Incentive Plan Account shall be deemed in compliance with the provisions of this Service Schedule.

#### **PERIODIC INDEX REVISIONS**

Because of changes in the natural gas marketplace, the price indices utilized by the Company, and the composition of the Company's purchased gas portfolio may change. The Company shall, within 30 days of identifying a change to a significant component of the mechanism, provide notice of such change to the Authority. Unless the Authority provides written justification to the Company within 30 days of such notice, the price indices shall be deemed approved as proposed by the Company.

#### **GAS SUPPLY INCENTIVE COMPENSATION PROGRAM**

The Company has in place a Gas Supply Incentive Compensation Program (the Program) designed to provide incentive compensation to selected Gas Supply non-executive employees involved in the implementation of the Nashville Incentive Plan and Secondary Marketing Programs in a manner consistent with the benefits achieved for customers and shareholders through improvements in gas procurement and secondary marketing activities. Participants in the program receive incentive compensation as recognition for their contribution to the customers and shareholders of the Company through lower gas costs and gains related thereto. Performance measures are established for the Program each year.

During the time this tariff is in effect, the Company will continue to have in place the Gas Supply Incentive Compensation Program, as detailed to the Authority, as it relates to the Nashville Incentive Plan. The Company will advise the Authority in writing of any changes to the Program, and unless the Company is advised within 60 days, said changes will become effective. No filing for prior approval is required for changes in the performance measures.